



**Ernst & Young LLP**  
One James Center  
Suite 1000  
901 East Cary Street  
Richmond, Virginia 23219  
Tel: 804 344 6000  
www.ey.com

November 10, 2008

Mr. Jeff McDonald  
Tax Director  
Circuit City Stores, Inc.  
9950 Mayland Drive  
Richmond, VA 23233

## **Statement of Work #4 - Section 382 Ownership Analysis Shift Updates**

Dear Jeff:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated November 10, 2008 (the "Agreement") between Circuit City Stores, Inc. (the "Company" or "Client") and Ernst & Young LLP ("E&Y"), which was executed in connection with the Company filing a Chapter 11 petition on or around November 10, 2008 with the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), and describes certain tax services that E&Y will perform for the Company during the Company's Chapter 11 bankruptcy. Unless modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

### **Engagement Team**

Chip Phillips (Partner) and Scott Vaughn (Partner) will lead the E&Y team in providing the tax services. If either of these individuals ceases to provide tax services to the Company pursuant to the Agreement, E&Y will so advise the Company and, if that person is replaced, provide the Company with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in the most efficient manner possible.

### **Scope of Services**

E&Y will provide the following tax advisory services (the "Services") to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW):

- Identify ownership change(s) that have occurred during the quarterly update periods (the "Analysis Period") beginning with the period ending November 30, 2008.



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- Prepare supporting technical memorandum upon conclusion of the Analysis Period and documentation for owner shift analysis.

In determining if any ownership changes have occurred during the Analysis Period, the following steps will be performed:

- We will identify and analyze transactions involving the direct and indirect ownership of the Company. On each testing date, we will identify the "5-percent-shareholders" of the Company and determine each such shareholder's percentage ownership (by value) of the Company stock on that date. The Owner Shift Analysis is needed to determine if an ownership change has occurred, and thus whether and of the Company's pre-ownership change tax attributes (e.g. net operating losses) are subject to limitation.
- We will identify and analyze technical issues associated with the identification of "5-percent-shareholders," the determination of such shareholders' percentage ownership, and the possibility and benefit of overriding certain regulatory presumptions.

Our Services will be limited to the determination of whether and when the Company has had an ownership change as defined in Section 382(g). During the course of the analysis, we will discuss any assumptions or questionable information with the Company in order for the Company to direct us on the assumptions to utilize, if any.

Additionally, our Services do not include a detailed section 382 owner shift analysis with respect to any first tier or higher tier entity that owns more than 5 percent of the Company. If, during the course of our engagement it becomes apparent that a detailed owner shift analysis of a first tier or higher tier entity will be required, we will contact you to discuss a mutually agreed course of action.

Upon completion of the analysis, we will provide the Company with a report that does not constitute a "covered opinion" as that term is described in Circular 230. Since the report will not constitute a "covered opinion," the report will not provide the Client with penalty protection in the event that the positions taken are challenged by the IRS and an understatement of tax is determined to exist. The report will include (1) an explanatory analysis summarizing our results as well as the factual and legal bases for our conclusions, (2) the actual ownership



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calculations for each testing date, and (3) the documentation supporting our calculations. We will request that the Company management review the factual representations and assumptions and provide E&Y with a written statement that all factual representations and assumptions are accurate and complete. E&Y will not independently verify the accuracy or completeness of the factual representations. Inaccuracy of the factual representations and assumptions may materially impact the conclusions.

The Services may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

The Internal Revenue Code and professional standards require that tax advisors advise clients regarding their penalty exposure with respect to the advice they render and the disclosures that may avoid such penalties. The Internal Revenue Code has been amended to increase the disclosures that return preparers are required to include on returns to avoid exposure to penalty. Our tax opinions, memoranda, and similar documents will address disclosures we believe are appropriate to comply with applicable taxpayer and tax advisor/return preparer obligations, including our views as to the level of support for the positions addressed therein in a manner designed to facilitate compliance with tax return disclosure requirements.

## **Responsibilities**

Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. E&Y may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but E&Y will not make any such decisions or perform any such functions. In its sole discretion, E&Y may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring E&Y's performance under this SOW.



Mr. Jeff McDonald  
Circuit City Stores, Inc.

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Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and E&Y or any other E&Y Entity, Client represents and warrants to E&Y, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing, with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an E&Y Entity providing services to Client and neither E&Y nor any other E&Y Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.

#### **Fees and Expenses**

The Company shall pay E&Y's fees for the Services, which fees are subject to Bankruptcy Court approval and based on the actual time of E&Y professionals expended in performing the tax accounting advisory services as adjusted annually on July 1 during the term of the Agreement. The actual time required will depend upon the extent and nature of available information, modifications to the scope of our engagement (which may be subject to Bankruptcy Court approval) and other developments that may occur as work progresses. Client shall also pay all applicable taxes incurred in connection with the delivery of the Services or any Advice (except for taxes imposed on E&Y's income). The rates, by level of tax professional, are as follows:

Partner	\$650-900
Executive Director	\$550-725
Senior Manager	\$550-700
Manager	\$450-575
Senior	\$275-475
Staff	\$120-275

In addition, Client shall reimburse E&Y for direct expenses incurred in connection with the performance of the Services. Direct expenses include reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement.



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We will submit an itemized and detailed billing statement and we will request payment of our fees in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia and any relevant administrative orders. In addition, we will request reimbursement of our actual expenses related to this SOW, as well as fees for any time (including any time or reasonable expenses of legal counsel) we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal regulatory, or other proceeding as a result of our performance of these services. Please note that we may receive volume based rebates from certain vendors (e.g. credit card companies) that are used to reduce overhead charges that would otherwise be passed on to our client.

If, during the term of this SOW, E&Y determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, E&Y will promptly contact Client to discuss any adjustments to the scope of work or E&Y's fees and obtain Bankruptcy Court approval before proceeding.

Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Chip Phillips at your earliest convenience.

Thanks again for your selection of our firm.

Very truly yours,

A stylized, handwritten signature of 'Ernst &amp; Young' in cursive script.

AGREED TO BY:

Circuit City Stores, Inc.

By: \_\_\_\_\_

Mr. Jeff McDonald, Tax Director



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November 10, 2008

Mr. Jeff McDonald  
Tax Director  
Circuit City Stores, Inc.  
9950 Mayland Drive  
Richmond, VA 23233

### **Statement of Work #5 - IRS Controversy Assistance**

Dear Jeff:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated November 10, 2008 (the "Agreement") between Circuit City Stores, Inc. (the "Company" or "Client") and Ernst & Young LLP ("E&Y"), which was executed in connection with the Company filing a Chapter 11 petition on or around November 10, 2008 with the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), and describes certain tax services that E&Y will perform for the Company during the Company's Chapter 11 bankruptcy. Unless modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

### **Engagement Team**

Chip Phillips (Partner) and Henry Singleton (Executive Director) will lead the E&Y team in providing the tax services. If either of these individuals ceases to provide tax services to the Company pursuant to the Agreement, E&Y will so advise the Company and, if that person is replaced, provide the Company with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in the most efficient manner possible.

### **Scope of Services**

E&Y will provide the following tax advisory services (the "Services") to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW):



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- Work with appropriate Company personnel in developing an understanding of the issues related to ongoing IRS activity.
- Contact the United States National Taxpayer's Advocate Office to discuss prior and current Internal Revenue Service activities that has generated a hardship, prepare the Form 911 and gather all relevant information to allow the Advocate to understand the nature of the hardship, meet with the advocate on behalf of the Company or with Company personnel to discuss the submission, and address any concerns or questions raised by the Advocate Office.
- Provide advice on the use of Alternative Dispute Resolution ("ADR") programs, where the examination team retains jurisdiction, such as early referral and Fast Track Settlement.
- Contact the local Collection Office to request an extension on delaying collection due process activities until meetings are concluded with the National Advocate Office. Engage the National Advocate Office as needed to maintain the stay on collection activities.
- Maintain ongoing communications with the Company. We will not respond to any IRS inquiries prior to your review and consent to our responses.

The Services may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

The Internal Revenue Code and professional standards require that tax advisors advise clients regarding their penalty exposure with respect to the advice they render and the disclosures that may avoid such penalties. The Internal Revenue Code has been amended to increase the disclosures that return preparers are required to include on returns to avoid exposure to penalty. Our tax opinions, memoranda, and similar documents will address disclosures we believe are appropriate to comply with applicable taxpayer and tax advisor/return preparer obligations, including our views as to the level of support for the positions addressed therein in a manner designed to facilitate compliance with tax return disclosure requirements.



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Circuit City Stores, Inc.

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## **Responsibilities**

Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. E&Y may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but E&Y will not make any such decisions or perform any such functions. In its sole discretion, E&Y may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring E&Y's performance under this SOW.

Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and E&Y or any other E&Y Entity, Client represents and warrants to E&Y, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing, with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an E&Y Entity providing services to Client and neither E&Y nor any other E&Y Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.

## **Fees and Expenses**

The Company shall pay E&Y's fees for the Services, which fees are subject to Bankruptcy Court approval and based on the actual time of E&Y professionals expended in performing the tax accounting advisory services as adjusted annually on July 1 during the term of the Agreement. The actual time required





Mr. Jeff McDonald  
Circuit City Stores, Inc.

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will depend upon the extent and nature of available information, modifications to the scope of our engagement (which may be subject to Bankruptcy Court approval) and other developments that may occur as work progresses. Client shall also pay all applicable taxes incurred in connection with the delivery of the Services or any Advice (except for taxes imposed on E&Y's income). The rates, by level of tax professional, are as follows:

Partner	\$650-900
Executive Director	\$550-725
Senior Manager	\$550-700
Manager	\$450-575
Senior	\$275-475
Staff	\$120-275

In addition, Client shall reimburse E&Y for direct expenses incurred in connection with the performance of the Services. Direct expenses include reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement.

We will submit an itemized and detailed billing statement and we will request payment of our fees in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia and any relevant administrative orders. In addition, we will request reimbursement of our actual expenses related to this SOW, as well as fees for any time (including any time or reasonable expenses of legal counsel) we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal regulatory, or other proceeding as a result of our performance of these services. Please note that we may receive volume based rebates from certain vendors (e.g. credit card companies) that are used to reduce overhead charges that would otherwise be passed on to our client.

If, during the term of this SOW, E&Y determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, E&Y will promptly contact Client to discuss any adjustments to the scope of work or E&Y's fees and obtain Bankruptcy Court approval before proceeding.



Mr. Jeff McDonald  
Circuit City Stores, Inc.

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Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Chip Phillips at your earliest convenience.

Thanks again for your selection of our firm.

Very truly yours,

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

AGREED TO BY:

Circuit City Stores, Inc.

By:

A handwritten signature in cursive script, likely belonging to Mr. Jeff McDonald, written over a horizontal line.  

Mr. Jeff McDonald, Tax Director



**Ernst & Young LLP**  
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November 10, 2008

Mr. Jeff McDonald  
Tax Director  
Circuit City Stores, Inc.  
9950 Mayland Drive  
Richmond, VA 23233

## **Statement of Work #6 - Tax and Transfer Pricing Services Re Puerto Rico**

Dear Jeff:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated November 10, 2008 (the "Agreement") between Circuit City Stores, Inc. (the "Company" or "Client") and Ernst & Young LLP ("E&Y"), which was executed in connection with the Company filing a Chapter 11 petition on or around November 10, 2008 with the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), and describes certain tax services that E&Y will perform for the Company during the Company's Chapter 11 bankruptcy. Unless modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

### **Engagement Team**

Chip Phillips (Partner) and Cliff Tegel (Senior Manager) will lead the E&Y team in providing the tax services. If either of these individuals ceases to provide tax services to the Company pursuant to the Agreement, E&Y will so advise the Company and, if that person is replaced, provide the Company with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in the most efficient manner possible.

### **Scope of Services**

E&Y will provide the following tax advisory services (the "Services") to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW):

Circuit City has formed a new Puerto Rico entity known as Circuit City Stores Puerto Rico LLC ("Puerto Rico LLC"), which is treated as a regarded entity for tax purposes, for its new stores in Puerto Rico. Puerto Rico LLC will purchase



Mr. Jeff McDonald  
Circuit City Stores, Inc.

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merchandise inventory for sale in its stores, as well as other goods (e.g. non-merchandising inventory, fixtures, signs, etc.) for use in the stores, from Circuit City (or other Circuit City companies). Further, Puerto Rico LLC will be dependent on Circuit City for other types of support.

E&Y will assist Circuit City in establishing a transfer pricing policy and approach for the intercompany transactions between Puerto Rico LLC and Circuit City. To achieve this goal, we will require the assistance of appropriate Circuit City personnel in developing an understanding of these intercompany transactions. The paragraphs below provide more information on our work process and deliverables.

1. Kick-off discussion and Issuance of information request. At the start of the project, we will conduct a call or meeting to discuss timing and information needs, and send a written information request. We will work with you to identify the individuals we should speak with to understand the intercompany transactions that will occur between Circuit City and Puerto Rico LLC.
2. Fact Finding. The transfer pricing frameworks of the United States and Puerto Rico view functions performed, property used (physical assets and intangible assets), and risks taken as the most important factors in determining income. Interviews with Circuit City personnel are an essential part of understanding the division of functions, intangibles, and risks between the related parties under study. We envision conducting approximately six to eight interviews to obtain the necessary information. Typically, each interview takes a half-hour to one hour, depending on the nature of the responsibilities of the individual with whom we speak. These interviews will be conducted either in person or via conference call.
3. High Level Economic Analysis. Once we have determined the relevant functions, risks and intangible ownership with respect to the transactions under study, we will perform a Comparable Profits Method ("CPM") analysis and benchmark the overall profitability expectations for the Puerto Rico stores. Our framework of analysis shall be based on the standards methods set forth in U.S. Treas. Reg. Section 482. This step will involve conducting detailed external comparable searches to identify third party information to use as benchmarks for the new stores.



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As we complete this step, we will present preliminary results to Circuit City to obtain feedback on our assumptions, and identify any issues with applying the recommended approaches.

4. Advice. Our advice will be designed to provide Circuit City with going-forward guidance for its transfer pricing with respect to its intercompany transactions with Puerto Rico LLC. The advice will consist of a report providing our transfer pricing recommendations. Our report will include the following sections:
  - a. Company Overview: includes the review of the Company's strategies and its position in the market;
  - b. Functional Analysis: includes the identification of the economically significant activities undertaken by the entities under study, and the resources and risks that are employed in conjunction with those activities;
  - c. Overview of the Transfer Pricing Framework: presents the transfer pricing regulatory framework of the U.S. Section 482 Regulations; and
  - d. Economic Analysis: includes the application of comparables and results of our research.
5. Application and Ongoing Process: We will make every effort to provide Circuit City with recommendations that can be readily implemented. We also, at or near the conclusion of the project, will work with you to determine how best to update the data and pricing recommendations in the study from year to year to keep the pricing benchmarks current, and demonstrate to tax authorities that Circuit City is making the effort to maintain pricing information on a contemporaneous basis.

In addition to these transfer pricing services, we will provide tax advisory services as needed regarding Puerto Rican and U.S. tax matters in connection with the establishment and operations of Puerto Rico LLC.

Circuit City is to provide us with full disclosure of all relevant facts, and appropriate E&Y personnel are to have complete access to all pertinent information. We are relying upon the accuracy and completeness of the facts, representations and other information provided to us by Circuit City.



Mr. Jeff McDonald  
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In accordance with our agreement, our advice will be limited to issues concerning compliance for the specified transaction(s) with IRC Section 482 and pertinent foreign laws and regulations governing transactions within a controlled group. Additional issues may exist that could affect the U.S. or foreign tax treatment of the transaction(s) that are the subject of this engagement and our report will not consider or provide a conclusion with respect to any additional issues. With respect to any significant tax issues outside the limited scope of this engagement, E&Y does not intend that its report be used by any person for the purposes of advice or avoiding any penalties that may be imposed on any taxpayer.

The Services will not result in an attestation or assurance report or constitute (a) an audit of financial statements in accordance with generally accepted auditing standards, (b) an examination of prospective financial statements in accordance with standards established by the American Institute of Certified Public Accountants or (c) advice or documentation relating to the effectiveness of internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act. The Services will not include procedures to test compliance with laws and regulations in any jurisdiction, nor shall anything contained in any advice or report, written or otherwise, rendered by E&Y (Collectively, whether in connection with the Services or any other services rendered under or with reference to the Agreement, "Reports") constitute any legal opinion or legal advice with respect to any matter. None of the Service will constitute an opinion by E&Y with respect to the appropriate application of APB 23 to a particular subsidiary of the Company, the need for, or the level of, tax contingency accruals or valuation allowances related to deferred tax assets or any other US GAAP matter. All decisions as to accounting for APB 23 and other income tax provision issues rest with the Company, with which its independent auditors should concur.

The Services may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

The Internal Revenue Code and professional standards require that tax advisors advise clients regarding their penalty exposure with respect to the advice they render and the disclosures that may avoid such penalties. The Internal Revenue Code has been amended to increase the disclosures that return preparers are required to include on returns to avoid exposure to penalty. Our tax opinions, memoranda, and similar documents will address disclosures we believe are appropriate to comply with applicable taxpayer and tax advisor/return preparer



Mr. Jeff McDonald  
Circuit City Stores, Inc.

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obligations, including our views as to the level of support for the positions addressed therein in a manner designed to facilitate compliance with tax return disclosure requirements.

### **Responsibilities**

Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. E&Y may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but E&Y will not make any such decisions or perform any such functions. In its sole discretion, E&Y may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring E&Y's performance under this SOW.

Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and E&Y or any other E&Y Entity, Client represents and warrants to E&Y, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing, with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an E&Y Entity providing services to Client and neither E&Y nor any other E&Y Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.

### **Fees and Expenses**

The Company shall pay E&Y's fees for the Services, which fees are subject to Bankruptcy Court approval and based on the actual time of E&Y professionals expended in performing the tax and transfer pricing services as adjusted annually on July 1 during the term of the Agreement. For U.S. and Puerto Rican



Mr. Jeff McDonald  
Circuit City Stores, Inc.

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November 10, 2008

hourly tax consulting as noted above, the Company shall pay E&Y fees for the Services based on the time that E&Y professionals expend in performing them. Client shall also pay all applicable taxes incurred in connection with the delivery of the Services or any Advice (except for taxes imposed on E&Y's income). The rates, by level of tax professional, are as follows:

Partner	\$650-900
Executive Director	\$550-725
Senior Manager	\$550-700
Manager	\$450-575
Senior	\$275-475
Staff	\$120-275

In addition, Client shall reimburse E&Y for direct expenses incurred in connection with the performance of the Services. Direct expenses include reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement.

Any fee estimates for the Services under this SOW assume that Client will timely provide, or cause to be provided, to E&Y all appropriate information and assistance, and that the scope and complexity of such Services are consistent with our prior discussions, as well as the description thereof above. If, during the term of this SOW, E&Y determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, E&Y will promptly contact Client to discuss any adjustments to the scope of work or E&Y's fees.

We will submit an itemized and detailed billing statement and we will request payment of our fees in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia and any relevant administrative orders. In addition, we will request reimbursement of our actual expenses related to this SOW, as well as fees for any time (including any time or reasonable expenses of legal counsel) we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal regulatory, or other proceeding as a result of our performance of these services. Please note that we may receive volume based rebates from certain vendors (e.g. credit card companies) that are used to reduce overhead charges that would otherwise be passed on to our client.





Mr. Jeff McDonald  
Circuit City Stores, Inc.

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If, during the term of this SOW, E&Y determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, E&Y will promptly contact Client to discuss any adjustments to the scope of work or E&Y's fees and obtain Bankruptcy Court approval before proceeding.

Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Chip Phillips at your earliest convenience.

Thanks again for your selection of our firm.

Very truly yours,

*Ernst & Young*

AGREED TO BY:

Circuit City Stores, Inc.

By: \_\_\_\_\_

Mr. Jeff McDonald, Tax Director



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November 10, 2008

Mr. Jeff McDonald  
Tax Director  
Circuit City Stores, Inc.  
9950 Mayland Drive  
Richmond, VA 23233

### Statement of Work #7 - Restructuring Assistance

Dear Jeff:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated November 10, 2008 (the "Agreement") between Circuit City Stores, Inc. (the "Company" or "Client") and Ernst & Young LLP ("E&Y"), which was executed in connection with the Company filing a Chapter 11 petition on or around November 10, 2008 with the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), and describes certain tax services that E&Y will perform for the Company during the Company's Chapter 11 bankruptcy. Unless modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

### Engagement Team

Scott Vaughn (Partner) and Tom West (Senior Manager) will lead the E&Y team in providing the tax services. If either of these individuals ceases to provide tax services to the Company pursuant to the Agreement, E&Y will so advise the Company and, if that person is replaced, provide the Company with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in the most efficient manner possible.

### Scope of Services

E&Y will provide the following tax advisory services (the "Services") to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW):

To the extent specifically requested by Client, E&Y will work with Client personnel and/or outside counsel to assist Client obtain factual or other tax information (e.g., assistance with understanding or compiling the history of tax



Mr. Jeff McDonald  
Circuit City Stores, Inc.

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attributes including asset or stock basis) useful to understanding the tax or other financial implications associated with any restructuring or other plan developed by Client or its outside counsel.

At the request of Client, our performance of this engagement will more specifically include, but not be limited to, the following:

- Working with Client personnel and/or agents in developing an understanding of the Client's business objectives and strategies, including understanding reorganization or restructuring alternatives the Client is evaluating that may result in a change in the equity, capitalization and/or ownership of the shares of the Client or its assets;
- Assisting and advising the Client in its consideration of restructuring plans by evaluating the tax consequences of strategies to achieve the Client's objectives, including, as needed, research and analysis of Internal Revenue Code sections, treasury regulations, state tax statutes and regulations, case law and other relevant tax authorities which could be applied to business valuation and restructuring models;
- Tax consulting and modeling regarding the availability, limitations on the use, and preservation of tax attributes, such as net operating losses and tax basis in assets and stock; the development and assessment of strategies to minimize the loss of surviving tax attributes; the minimization of tax costs in connection with stock or asset sales, if any; and understanding the tax treatment of certain costs incurred as a result of the bankruptcy process;
- Assisting the Client to manage various state and local claims that may be filed;
- Other tax or financial consulting services as requested by Client;
- Documentation, as appropriate or necessary, of tax analysis, opinions, recommendations, conclusions and correspondence for any proposed restructuring alternative or other tax matter described above.
- To the extent that the Client determines it would like us to provide formal reports including analysis and conclusions (each a "Study") as to any of the Client's tax attributes, prior to completing such a Study, we will



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provide the Client with a copy of the facts and assumptions (collectively, the "Facts") upon which the Study is to be based. Completion of the Study will require that the Client review the Facts and provide written approval that E&Y may rely on the Facts in reaching its conclusions. E&Y will not independently verify the accuracy or completeness of the Facts, but will rely upon the written approval of the Client that the Facts may form the basis of the Study. Inaccuracy of the Facts may materially impact the conclusions.

The Services may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

The Internal Revenue Code and professional standards require that tax advisors advise clients regarding their penalty exposure with respect to the advice they render and the disclosures that may avoid such penalties. The Internal Revenue Code has been amended to increase the disclosures that return preparers are required to include on returns to avoid exposure to penalty. Our tax opinions, memoranda, and similar documents will address disclosures we believe are appropriate to comply with applicable taxpayer and tax advisor/return preparer obligations, including our views as to the level of support for the positions addressed therein in a manner designed to facilitate compliance with tax return disclosure requirements.

### **Responsibilities**

Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. E&Y may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but E&Y will not make any such decisions or perform any such functions. In its sole discretion, E&Y may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring E&Y's performance under this SOW.



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Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and E&Y or any other E&Y Entity, Client represents and warrants to E&Y, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing, with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an E&Y Entity providing services to Client and neither E&Y nor any other E&Y Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.

#### **Fees and Expenses**

The Company shall pay E&Y's fees for the Services, which fees are subject to Bankruptcy Court approval and based on the actual time of E&Y professionals expended in performing the tax accounting advisory services as adjusted annually on July 1 during the term of the Agreement. The actual time required will depend upon the extent and nature of available information, modifications to the scope of our engagement (which may be subject to Bankruptcy Court approval) and other developments that may occur as work progresses. Client shall also pay all applicable taxes incurred in connection with the delivery of the Services or any Advice (except for taxes imposed on E&Y's income). The rates, by level of tax professional, are as follows:

Partner	\$650-900
Executive Director	\$550-725
Senior Manager	\$550-700
Manager	\$450-575
Senior	\$275-475
Staff	\$120-275

In addition, Client shall reimburse E&Y for direct expenses incurred in connection with the performance of the Services. Direct expenses include reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement.



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We will submit an itemized and detailed billing statement and we will request payment of our fees in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia and any relevant administrative orders. In addition, we will request reimbursement of our actual expenses related to this SOW, as well as fees for any time (including any time or reasonable expenses of legal counsel) we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal regulatory, or other proceeding as a result of our performance of these services. Please note that we may receive volume based rebates from certain vendors (e.g. credit card companies) that are used to reduce overhead charges that would otherwise be passed on to our client.

If, during the term of this SOW, E&Y determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, E&Y will promptly contact Client to discuss any adjustments to the scope of work or E&Y's fees and obtain Bankruptcy Court approval before proceeding.

Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Chip Phillips at your earliest convenience.

Thanks again for your selection of our firm.

Very truly yours,

A stylized, handwritten signature of 'Ernst &amp; Young' in cursive script.

AGREED TO BY:

Circuit City Stores, Inc.

By:   
Mr. Jeff McDonald, Tax Director